



# THE RELATIONSHIP OF THIRD-PARTY CERTIFICATION (TPC) TO SANITARY/ PHYTOSANITARY (SPS) MEASURES AND THE INTERNATIONAL AGRI-FOOD TRADE:

## REPORT OF INTERVIEWS WITH THIRD PARTY CERTIFICATION FIRMS

RAISE SPS GLOBAL ANALYTICAL REPORT #6

AUGUST 2005

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.



Prepared for USAID under RAISE Task Order 14, “Assistance for Trade Capacity Building in Relation to the Application of Sanitary and Phytosanitary (SPS) Measures”, (Subcontract #4105-99S-006), under, USAID/DAI Prime Contract # PCE-I-00-99-00002-00, “Rural and Agricultural Incomes with a Sustainable Environment (RAISE),” by

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Funded by USAID’s Bureau of Economic Growth, Agriculture and Trade (EGAT) and implemented by Development Alternatives Inc. (DAI), the RAISE SPS Project (“Assistance for Trade Capacity Building in Relation to the Application of Sanitary and Phytosanitary Measures”) is Task Order 14 under the RAISE (“Rural and Agricultural Incomes with a Sustainable Environment”) Indefinite Quantity Contract with DAI as Prime Contractor. Michigan State University, Abt Associates, Winrock International, and Fintrac Inc. are subcontractors. RAISE SPS assists farmers, processors, exporters, retailers and other participants in agribusiness supply chains enhance their competitiveness through achievement of international market standards. Concurrently, RAISE SPS assists regulatory, scientific, technical, and donor institutions better understand the effect of SPS issues and private sector-driven standards on economic growth and poverty reduction. USAID Missions and Bureaus can seek assistance from RAISE SPS by contacting David Soroko, USAID/EGAT Cognizant Technical Officer, at [dsoroko@usaid.gov](mailto:dsoroko@usaid.gov).

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# TABLE OF CONTENTS

<b>1. INTRODUCTION</b>	<b>1</b>
<b>2. THIRD-PARTY CERTIFICATION STRUCTURE AND OPERATION</b>	<b>3</b>
2.1 Accreditation.....	3
2.2 Standards.....	4
2.3 Cost for certification and accreditation.....	4
2.4 Auditors .....	5
2.5 Clients .....	6
2.6 Risk and Liability.....	6
<b>3. POTENTIAL BENEFITS</b>	<b>9</b>
3.1 Introduction of safe, high quality food .....	9
3.2 Assurance of market access for suppliers .....	9
<b>4. CHALLENGES AND CONCERNS</b>	<b>11</b>
4.1 Variation in outcomes of third-party certification .....	11
4.1.1 Difference in standards.....	11
4.1.2 Difference in application of standards.....	11
4.2 Developing a set of harmonized standards .....	12
4.3 Lack of coordination between accreditor organizations and third-party certification programs.....	12
4.4 Lack of education and training of auditors, certification bodies and accreditor organizations .....	13
4.5 Conflict of interest between auditing and consulting.....	13
<b>5. THIRD-PARTY CERTIFICATION IN LESS DEVELOPED COUNTRIES</b>	<b>15</b>
5.1 Potential benefits of third-party certification for actors in less developed countries .....	15
5.2 Constraints for less developed countries to the successful implementation of third-party certification .....	15
<b>6. RECOMMENDATIONS</b>	<b>17</b>
6.1 Education and training .....	17
6.2 Specific program and area focus.....	17
6.3 Awareness of the need for building flexibility in TPC .....	18
<b>7. CONCLUSION</b>	<b>19</b>



## ACRONYMS

ANSI	American National Standards Institute
CB	Certification Bodies
EUREPGAP	Euro-Retailer Produce Working Group Good Agricultural Practice
FDA	Food and Drug Administration
HACCP	Hazard Analysis and Critical Control Point
IFOAM	International Federation of Organic Agriculture Movements
ISO	International Organization for Standardization
LDC	Less Developed Country
NACMCF	National Advisory Committee on Microbiological Criteria for Foods
NGO	Non-Governmental Organization
SPS	Sanitary and Phytosanitary
TPC	Third Party Certification
USDA-NOP	United States Department of Agriculture - National Organic Program





# 1. INTRODUCTION

The role of third-party certification (TPC) as an institutionalized mechanism to ensure consistency in the quality and safety of agrifood products in the contemporary agrifood system is on the rise. As leading food companies and retailers are increasingly requiring that their suppliers be third-party certified, TPC is becoming de facto mandatory for suppliers. Thus, in order for suppliers in less developed countries (LDCs) to sell their goods to leading food companies and retailers, TPC will be required. While suppliers in LDCs may benefit from TPC, the implementation of TPC in LDCs faces several challenges. This paper examines the potential benefits of TPC as well as some of the challenges it must overcome to ensure its continued expansion and effectiveness.

In a previous report, we examined the rise of TPC, the practices and operational structures of certification bodies (CBs) and accreditor organizations, and the power relations embedded within the TPC mechanism.<sup>1</sup> In this paper, we incorporate data from interviews with various actors in the TPC industry. This enables us to deepen our earlier analyses and elaborate on some of our previous findings. Such research is critical, as very little continues to be known about TPC, despite its increasing use in the food and agriculture sector.

This study is based on nine phone interviews with CBs and one interview with a third-party auditing consulting company. While they all view TPC as an increasingly integral component of the global agrifood system, many participants also noted that it still faced many challenges yet to be overcome. A primary concern was the constraints on the process of third-party certification for stakeholders in LDCs. Nearly all interviewees argued that there is an urgent need to begin to promote the successful implementation of TPC in LDCs, given the speed at which TPC is becoming necessary to sell goods to leading processors and retailers in industrialized countries.

The report is structured accordingly. In the first section, we outline the key elements involved in TPC. The second section discusses the potential benefits of TPC. Third, we examine the general challenges and concerns raised by representatives of CBs regarding the current structure of TPC operations. The fourth section discusses the (potential) implications of TPC in LDCs. Lastly, we present a set of recommendations for aid agencies on how they can help suppliers in LDCs successfully participate in TPC schemes.

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<sup>1</sup> See Hatanaka, Maki, Deepa Thiagarajan, and Lawrence Busch. (2004) The Relationship of Third-party Certification (TPC) to Sanitary/Phytosanitary (SPS) Measures and the International Agri-food Trade: TPC Web Profile Report. Institute of International Agriculture, RAISE. Michigan State University. December 2004.



## 2. THIRD-PARTY CERTIFICATION STRUCTURE AND OPERATION

The TPC organizational structure is highly complex. In part, this is because it varies by area of focus (e.g., food safety, organic, quality management, environmental management, sustainability, animal welfare, etc.). However, there are a number of features common among most TPC programs. In this section, we examine the basic characteristics of TPC, and the issues associated with its practice. These include: 1) accreditation, 2) standards, 3) costs for certification and accreditation, 4) auditors, 5) clients, and 6) risk and liability.

### 2.1 ACCREDITATION

Based on our interviews, we discovered that CBs tend to have a mixed view of accreditation.<sup>2</sup> While some deem it beneficial, others do not see a need for it. There are three major reasons that CBs seek accreditation. The first is to meet the needs of clients, who often need to be certified by an accredited CB. As a result, it is not uncommon for a CB to have multiple accreditations to allow it to certify clients for different programs and standards. For example, one representative of an organic CB claimed that his CB has accreditation to the United States Department of Agriculture-National Organic Program (USDA-NOP), ISO Guide 65, and the International Federation of Organic Agriculture Movements (IFOAM). According to this interviewee, all three accreditations were necessary to satisfy the needs of its supplier clients. Similarly, several other representatives of CBs indicated that their CBs were also considering obtaining additional accreditations in order to expand their services.

The second reason that CBs seek accreditation is to enhance their credibility. First, accreditation gives CBs an additional layer of legitimacy, as their certification programs must be audited and verified by an accreditor. Second, accreditation helps CBs ensure that their operations are as efficient and effective as possible. This is because they must comply with the accreditor's standards, which often require that CBs operate in an efficient, effective, and transparent manner. Thus, accreditation allows CBs to efficiently and effectively market their services as efficient and effective to prospective clients.

Some CBs also view accreditation as a means to foster cooperation among CBs with similar interests and goals. In particular, accreditation is typically used for this purpose among CBs that seek to promote alternative agrifood products and practices (e.g., sustainable agriculture, socially accountable agriculture, and fair-trade). In their view, accreditation enables CBs to work collectively, thereby helping to increase their negotiation power vis-à-vis other stakeholders, namely retailers, consumers, and suppliers. For example, as a collective unit, accredited CBs may be able to pressure retailers to improve their understanding of a particular certification and label, and subsequently persuade them to put more certified commodities on their shelves.

However, while many of the interviewees emphasized the importance of accreditation, there were also some who felt that there was no need for it. Those who did not see a need for accreditation felt that their CBs had internal quality control procedures that ensured the objectivity and effectiveness of their CB's operations. Additionally, they argued that their CBs had already earned industry recognition and that their TPC operations were recognized as being effective in the industry. Therefore, some CBs believe that they do not need external oversight or affirmation.

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<sup>2</sup> Accreditation is the process by which an authoritative organization gives formal recognition that a particular CB or certifier is competent to carry out specific tasks.

Control was another contested issue with regard to accreditation. Some interviewees expressed concern that with accreditation CBs would lose control over the management of certification programs to accreditor organizations. In other words, some interviewees were worried that accreditation would constrain what CBs were able to do and not do, and that there was little that they could do about it if they became accredited.

The sharing of standards and auditing procedures with other CBs was the final concern raised by interviewees. Some interviewees argued that these are two of the key areas in which CBs compete. This became evident by the fact that some of the CBs we interviewed would not share any details regarding their standards or audit process. They essentially said that these were private property in the form of trade secrets. For example, one representative of a CB we interviewed commented that once a CB is accredited, its standards as well as auditing procedures would become public property, which anybody could then use. For this reason, this CB refused to be accredited, as it does not want its competitors to know or use its standards and auditing procedures. From the perspective of these CBs, TPC is a competitive business.

## **2.2 STANDARDS**

CBs certify suppliers according to a set of standards. The standards used are often based on official (national) legislation. Our interviewees noted that most CBs use standards established by national or international standards development organizations, such as American National Standards Institute (ANSI), Codex Alimentarius, International Organization for Standardization (ISO), and the National Advisory Committee on Microbiological Criteria for Foods (NACMCF). Such standards tend to allow great flexibility with respect to implementation (e.g., data gathering). Several of our interviewees commented that such general standards need to be tailored to reflect a CB's particular 'norms.' Thus, CBs tend to use national or international standards as a baseline and expand upon them when formulating their standards. The net effect is a high degree of variation in the standards used in TPC.

Among our nine interviewees from CBs, only one claimed that the CB had developed its standards without using any existing standards as a reference. This particular CB, conducting TPC for sustainable agriculture, deems existing standards to be unsuitable for such a program. As a result, it created its own standards through collaboration with an advisory group composed of farmers, ranchers, consumer representatives, scientists, farm labor representatives, and environmentalists. It chose this method in part to encourage participation by all stakeholders in order to have a fair standard that met everyone's needs.

From the perspective of those in the TPC industry, the standards used by CBs tend to be more stringent than public standards. They also tend to differ from government standards in that they are largely process-based instead of product-based. In other words, TPC standards focus more on procedures and record keeping, and tend to use direct product testing less often.

## **2.3 COST FOR CERTIFICATION AND ACCREDITATION**

Generally, it is the suppliers who are responsible for the costs of TPC. There are two types of expenses associated with TPC: hard and soft. Hard expenses are the costs that a CB charges for certification, whereas soft costs are the labor and travel costs associated with certification. The calculation of hard costs varies among CBs. Some CBs charge a fixed certification cost regardless of the size of the operation, while other CBs adjust their fee according to the size of the applicant's operation (i.e., the larger, the more expensive). Alternatively, some CBs do not charge an initial hard certification fee, but rather collect a royalty fee. In such cases, a CB is paid on a sliding scale based

on annual gross sales of certified products. In addition to hard costs, CBs also charge for labor and travel expenses. Labor and travel costs largely involve auditor(s)' expenses, such as airline tickets and accommodations.

Contrary to what many suppliers may claim, most of the interviewees did not view TPC as expensive. In part, this is because they are primarily certifying larger suppliers. One interviewee, whose CB charges between \$400 and \$25,000 for TPC, argued that while TPC may be prohibitively expensive for small-sized suppliers, only few small-sized farmers still exist in the US. Thus, from his perspective, most farmers seeking TPC are large farmers who can afford the costs of TPC. However, it should be also noted that such an argument does not take into account the situation in many LDCs where a substantial number of small to medium-sized farmers continue to exist.

Among the nine representatives of CBs we interviewed, six of them claimed that their CBs conducted TPC for suppliers in LDCs. Regarding the costs of TPC, none of these six CBs have special arrangements available for suppliers in LDCs. That is, they charge the same fee to all applicants for TPC. Furthermore, the cost of TPC for growers and processors in LDCs is oftentimes greater than for those in industrialized countries. This is because growers in LDCs are often required to use CBs located in industrialized countries, as these are the ones considered acceptable by retailers and food processors in industrialized countries. Thus, the soft costs for TPC are often much higher for suppliers in LDCs due to increased travel expenses.

The majority of interviewees are aware that the cost of TPC is one of the greatest constraints to more suppliers in LDCs becoming third-party certified. Consequently, some CBs are making attempts to lower the cost of TPC for suppliers in LDCs by collaborating with CBs located in LDCs, or by using local auditors. Such efforts will allow CBs to lower the soft costs by reducing travel fees.

Similar to the way that suppliers have to pay to become third-party certified, many CBs must also pay for accreditation. For most of the CBs, accreditation involves substantial costs, especially if a CB wants to be accredited by multiple accreditor organizations. For example, one interviewee said that his CB is currently accredited by three organizations, resulting in costs as high as \$75,000 annually (\$30,000 in hard costs, and \$45,000 for soft costs). Therefore, from the perspective of CBs, the cost of accreditation is viewed as the greatest obstacle to maintaining accreditation. Moreover, maintaining accreditations may result in higher TPC costs, as CBs must cover their costs.

## **2.4 AUDITORS**

All CBs employ auditors to conduct the actual audits that suppliers must go through to receive TPC. To work as an auditor, a person must meet several requirements. In general, CBs require auditors to have previous professional experience working in the food industry, including auditing experience. Auditors must also have appropriate education and training. As a result, auditors for CBs usually have significant auditing experience, and have previously often worked either for the government (e.g., ex-FDA auditors) or the private sector. Furthermore, most CBs require that new auditors undergo additional training specific to that CBs' TPC program. In some cases, new auditors are also required to pass a test before they are able to audit for a given CB.

Our interview data indicates that many CBs that conduct TPC outside of their home country either work with or are trying to establish connections with local auditors in other countries, particularly in LDCs. Interviewees cited a number of benefits of working with local auditors in LDCs, including 1) the familiarity of local auditors with local regulations, 2) knowledge of local language and culture, and 3) lower TPC costs. However, at the same time, some interviewees also cited several potential concerns with respect to using local auditors. In particular, there was concern that communication

problems might arise between local auditors and the CB, due to cultural and language differences, as well as time zones differences making direct communication problematic.

## 2.5 CLIENTS

In general, suppliers are the actors who receive TPC in the global agrifood system. Suppliers tend to seek TPC for one of two reasons. First, some suppliers seek TPC as a way to gain a market advantage. Such suppliers tend to voluntarily become third-party certified. Second, some suppliers seek TPC because their buyers require it. Our interviewees pointed out that the latter reason is becoming increasingly common. This indicates that TPC is becoming mandatory for suppliers, as they must increasingly have TPC if they want to sell to major food companies and retailers.<sup>3</sup>

It also needs to be noted that some CBs work closely with retailers or food companies. In such cases, a CB may act as a facilitator between buyers and suppliers who have similar interests (e.g., promotion of sustainable agriculture/aquaculture or organic agriculture). Furthermore, a CB may be active in developing networks in particular supply chains that help its clients gain market access, while at the same time, ensuring retailers, manufacturers and processors a consistent and reliable product. One interviewee at a CB, which is working in the area of sustainable agriculture, claimed that they work with market partners, which have made a commitment to buy products certified by them. They also work with consumers, and seek to educate them in terms of their label and what it means. Consequently, they argue that their label has gained good recognition in the food and agriculture sector as well as among consumers. Thus, they believe that suppliers certified by them may benefit from emerging consumer loyalty around their certification label.

## 2.6 RISK AND LIABILITY

Many of our interviewees claimed that their CBs can *help* produce safe, high quality food by identifying problems that could potentially lead to the outbreak of food-borne illnesses and also by offering sensible solutions to these problems. At the same time, it should be noted that, from their perspective, the primary role of auditing/certification programs is to *help* mitigate potential risks, rather than mitigate risks entirely.<sup>4</sup> As one interviewee remarked, the auditors only visit a production site for three days out of three hundred and sixty five, and therefore, their audit is only a “snap shot in time.” Thus, from the perspective of CBs, it is ultimately the producer and processor’s responsibility, and not theirs, to mitigate unforeseen hazards or defects. One interviewee even went so far as to note that TPC may potentially increase risk in some instances, because a supplier trusts the judgment of the auditor, and once certification is issued, they might not be as vigilant as previously. Thus, in sum, interviewees argued that CBs can only assist suppliers in mitigating potential risks by mapping out the ‘system’ that suppliers must follow to produce safe food. It is then the suppliers’ responsibility to make efforts to improve their practices.

There is some debate as to whether the requirement of TPC by retailers and major food processors for their suppliers will lower insurance premiums. Most major food companies and retailers purchase contaminated product insurance and product liability insurance. Thus, retailers and insurance

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<sup>3</sup> Suppliers can choose to sell their products to smaller sized food companies or retailers, who tend not to insist on the implementation of stringent standards or the use of TPC. However, today, more and more smaller-sized food companies are buying their food from large food distributors, that increasingly require that their suppliers are in compliance with particular standards and have TPC.

<sup>4</sup> CBs that have TPC programs for organic agricultural practices are excluded from this analysis since, according to them, the focus of their TPC programs do not necessarily include food safety issues.

companies have expressed interest in whether TPC can be used as a way of reducing risks and minimizing contaminated products. However, representatives of CBs were uncertain as to whether the use of TPC would actually lower the insurance premium at the present time.





### 3. POTENTIAL BENEFITS

All interviewees believed that TPC would have enormous positive impacts on the food and agriculture industry as a whole, provided that it is ‘adequately’ conducted.<sup>5</sup> In particular, interviewees cited two primary benefits of TPC. The first is that TPC can make food safer and of higher quality. Interviewees viewed this as a benefit for all actors, from suppliers to consumers. The second benefit is that TPC can improve market access for suppliers, providing them with more options and granting them access to higher-paying markets in some instances.

#### 3.1 INTRODUCTION OF SAFE, HIGH QUALITY FOOD

Many of the interviewees claimed that their auditors see agricultural and processing practices differently than those directly interested in the production and processing of food, as a result of their “external” position as a “third-party” auditor. For example, interviewees argued that farmers, farm managers, and processors, because they work in the same environment everyday, may take things for granted that a ‘third-party’ auditor would not. For this reason, interviewees argued that the objective eye of third-party auditors can be an important tool for suppliers. Farmers and processors can use the advice and audits of CBs to improve their practices, which ultimately will result in safer and higher quality food.

Interviewees claimed that, in many cases, the process of being third-party certified was an educational experience for suppliers. This is because suppliers learn the latest standards, which, in turn, may help them improve their management practices. In this way, by undergoing TPC, suppliers, who previously did not have much knowledge concerning a particular food attribute, are able to gain new knowledge and skills. Consequently, the representatives of CBs argued that the introduction of TPC can improve the management practices of both farmers and processors.

Interviewees claimed that the overall effect is an improvement in the safety and quality of food. This is because improvement in suppliers’ management and safety practices enables food companies and retailers to sell safer, higher quality food, which will ultimately benefit consumers.

#### 3.2 ASSURANCE OF MARKET ACCESS FOR SUPPLIERS

From the perspective of interviewees, TPC can ensure market access for suppliers by providing evidence that their products are safe and/or of high quality. Furthermore, several representatives of CBs also commented that the use of their TPC label enables a supplier’s products to gain visibility in the industry and/or marketplace. By distinguishing their products from others through TPC, suppliers can maintain or expand their business opportunities in what is an increasingly competitive market.<sup>6</sup>

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<sup>5</sup> For the implications of TPC that is not adequately conducted, see the following section, “Challenges and Concerns.”

<sup>6</sup> However, it might be argued that this reasoning is circular: It is the widespread and growing requirement of TPC by buyers that segments suppliers into groups that are certified and not certified.



## 4. CHALLENGES AND CONCERNS

While numerous benefits can potentially result from TPC for the whole food chain, there are still several challenges and concerns regarding TPC. Based on our interviews, we identified five key challenges and concerns facing TPC in the food and agriculture sector. These include: 1) variation in TPC outcomes, 2) developing a set of harmonized standards, 3) lack of coordination between accreditor organizations and TPC programs, 4) lack of education and proper training of auditors, CBs, and accreditor organizations, and 5) conflicts of interest between auditing and consulting. According to the interviewees, these challenges and concerns need to be remedied if TPC is to improve its efficacy and maximize its benefits for the agrifood sector as a whole.

### 4.1 VARIATION IN OUTCOMES OF THIRD-PARTY CERTIFICATION

Many interviewees are concerned by the fact that the outcomes of TPC may vary by CB. This is problematic, as the inconsistency of TPC outcomes may lead to differences in the level of safety or quality of products that have the same certification. If this occurs, TPC may lose some of its legitimacy because it is not ensuring the consistency and uniformity of food products and processes, as it claims. Interviewees cited two major causes for variation in the outcomes of TPC: differences in standards and differences in their application.

#### 4.1.1 DIFFERENCE IN STANDARDS

It is important to harmonize standards in a particular area, such as food safety or organic, so that all food in that area meets the same standards. Such harmonization permits greater flexibility for everyone in the supply chain by permitting shipment of certified goods to those places where demand is greatest. However, in practice, harmonizing standards for TPC in a particular area has not been easy. Different buyers may insist on different standards and different CBs may employ different standards. As a result, each CB working in a given area may be using different standards to audit suppliers. Thus, there may be variation in the outcomes of TPC. For example, an interviewee who works in the area of sustainable agriculture argued that “sustainable agriculture” has not been formally defined. This is because the idea of sustainability is partially the outcome of value judgments, which by definition, cannot be standardized. The effect is that any TPC standard for sustainable agriculture must have flexibility built into it in order to allow for different values. However, such flexibility results in different interpretations of how standards should be applied and audited. Thus, it also leads to potential inconsistencies and conflicts.

#### 4.1.2 DIFFERENCE IN APPLICATION OF STANDARDS

In some areas of TPC, the harmonization of standards has already been achieved. However, despite such harmonization, variation of TPC outcomes may still occur because of differences in the application of standards. For example, several interviewees argued that the majority of CBs that conduct TPC for the HACCP program use the same standards, which were developed by Codex or NACMCF.<sup>7</sup> However, such standards are the bare minimum and thus allow flexibility in how CBs apply them. Additionally, these standards do not identify performance goals. As a result, CBs can, and often do, interpret these baseline standards differently based on the subjective judgment as to whether or not their HACCP plan is valid. Consequently, how such harmonized standards are

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<sup>7</sup> The HACCP standard in the Codex Alimentarius is essentially identical to the 1997 NACMCF HACCP Principles Guide. These are the standards that outline the process of developing a HACCP plan or system.

administered by CBs often varies significantly. In this way, differences in interpretation and the application of standards can cause variance in TPC outcomes.

The difference in interpretation of standards is often closely related to the difference in the quality of auditors. There is diversity among auditors, with respect to their experience, knowledge, and capacity. Consequently, the outcome of TPC may be affected by the level of training that auditors have.<sup>8</sup> For example, one interviewee, who has been working in the food safety area, explained that the problem of different applications of standards is largely the outcome of some people not understanding the difference between “validation” and “verification.” “Validation,” he explained, refers to the technical accuracy of a plan, while “verification” means that one is doing what one says he or she is doing. In his opinion, there is a problem in that there are many HACCP plans that are not adequately validated. Even if the plan is verified TPC cannot ensure the safety and quality of food since, without validation, the plan may not fulfill its objectives.

## **4.2 DEVELOPING A SET OF HARMONIZED STANDARDS**

While harmonized standards are important, equally important is the process through which such standards are developed. Some of the representatives of CBs to whom we spoke expressed concern with respect to the ways that TPC standards are harmonized. They were worried that the process would not be open to all stakeholders and that the resulting standards would thus not incorporate the views of all stakeholders. Consequently, as one interviewee noted, the very process of developing TPC standards is a challenging task. This interviewee, citing the National Organic Program as an example, argued that perspectives of particular actors, especially those of small farmers, are often disregarded in the process of developing a set of harmonized standards.

## **4.3 LACK OF COORDINATION BETWEEN ACCREDITOR ORGANIZATIONS AND THIRD-PARTY CERTIFICATION PROGRAMS**

Several interviewees pointed out that the lack of coordination between certification and accreditor institutions is a significant problem. They noted that there are a number of CBs and accreditor organizations that do not communicate with each other, creating unnecessary redundancy in TPC practices. This was of particular concern for CBs in the organic sector. For example, one interviewee commented that the current accreditation mechanism in the organic sector is “ridiculously complex,” as there are several certification programs that are very similar yet require different accreditations.

Many organic TPC programs are regulated by national governments. Thus, for international trade, bilateral agreements between governments determine equivalency. However, at this time, if a CB wants to certify suppliers’ products as organic for purposes of export, the products need to be accredited by each country’s national accreditor organization. While there has been an effort to harmonize national organic standards and certification programs, interviewees argued such efforts have thus far made little progress.

Many organic certifiers are also accredited by IFOAM and ISO Guide 65, as they both provide increased legitimacy for CBs. Additionally, accreditation to ISO Guide 65, or IFOAM makes it easier for CBs to get accreditation from other non-US national accreditor organizations. This is because accreditation to ISO Guide 65 or IFOAM is internationally recognized and thus, serves as evidence of the efficacy of the CBs. However, which accreditation programs (i.e., ISO Guide 65 or IFOAM) work

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<sup>8</sup> See also the following section, “Lack of education and training of auditors, certification bodies and accreditor organizations” for the further discussion over this point.

better at lowering accreditation requirements depends entirely on which national government a CB is planning to get accreditation from.

Currently, there is no effort underway to coordinate and harmonize standards and certification across different TPC programs. Some interviewees saw this as problematic with one arguing that the various TPC programs should conduct a “gap analysis,” which refers to when a supplier has received TPC in one area and wants it in another area. In such cases, they should only have to be re-audited for the differences between the two. In other words, if a supplier, who already received IFOAM certification, wants to be certified to Euro-Retailer Produce Working Group Good Agricultural Practices (EUREPGAP) standards, s/he should not have to go through the full EUREPGAP certification process. Rather, s/he should only need to be re-certified for those things that EUREPGAP requires but IFOAM does not. Allowing for gap analysis would reduce the costs of TPC for suppliers, and thus enable them to have easier access to multiple certifications.

#### **4.4 LACK OF EDUCATION AND TRAINING OF AUDITORS, CERTIFICATION BODIES AND ACCREDITOR ORGANIZATIONS**

The demand for TPC services is growing, and thus the TPC industry is becoming increasingly lucrative. Consequently, interviewees argued that many CBs have jumped into the TPC business to enhance profits without having adequate capability. In particular, they argued that many of the newer CBs are hiring auditors who do not have sufficient training or education. Several interviewees worried that this might lead to increased inconsistencies and poor auditing, which could damage the legitimacy and reputation of TPC.

Accreditor organizations may also vary significantly in their auditing capacity. For example, several interviewees noted that the frequency of surveillance visits tends to vary by accreditor organization. Some accreditor organizations conduct annual visits, others only perform surveillance visits every 5 years, and some accreditor organizations do not even conduct surveillance visits at all. Additionally, several interviewees also commented that the accreditation mechanisms used by some accreditor organizations were insufficient. According to them, some accreditor organizations do not go to the field (or a CB office) to ‘audit’ its certification program and operation. Rather, they accredit a CB based entirely on documentation analysis. Unfortunately, as several interviewees noted, it is quite easy for a CB to “cheat” the accreditor organization by falsifying documents. Consequently, there may be some newly established CBs accredited by accreditor organizations, which are not as competent as some of the older CBs.

To make TPC more effective, many interviewees argued that there is a need for better accreditation mechanisms. At the same time, however, they are concerned that improving accreditation mechanisms will result in increased costs, since accreditor organizations will need more personnel, paperwork, and better facilities to improve their accreditation mechanisms. CBs thus tend to have mixed feelings about improving accreditation mechanisms, weigh the benefits against additional costs.

#### **4.5 CONFLICT OF INTEREST BETWEEN AUDITING AND CONSULTING**

Some interviewees argued that their CBs are not allowed to advise suppliers on how to improve their practices. These CBs are typically accredited by accreditor organizations with strict auditing requirements. When such organizations audit a supplier, they may find several areas where the supplier fails to meet requirements. In such cases, they cannot pass the supplier nor can they advise him on how to improve operations in order to satisfy the requirements in the future. The reason for this is that assistance might compromise their independence and objectivity. Thus, in many cases, the

auditor simply provides a copy of the standard or relevant references from which suppliers can learn on their own. Alternatively, they may merely introduce suppliers to a consulting organization. Many CBs appear to be torn between maintaining the independent and objective status of TPC and wanting to directly help suppliers.

There are other CBs, however, that claim training of suppliers is an important component of their services. These CBs, with some exceptions, tend not to have accreditation. One interviewee commented that her CB is purposely not accredited because the education of farmers is an important component of their TPC program. From this perspective, education must also be part of TPC, because certification itself does not necessarily improve suppliers' management and safety practices.

CBs that provide both training and certification tend to separate these roles, at least to a certain degree. For example, when a supplier fails to obtain third party certification, CBs will work with the supplier to improve its farming practices. However, when the supplier is ready to be certified, these CBs send in a new auditor, separate from the trainer, in order to ensure independence and objectivity.

## **5. THIRD-PARTY CERTIFICATION IN LESS DEVELOPED COUNTRIES**

Not all representatives of CBs interviewed for this study have TPC operations in LDCs. Some operate mainly in the US. However, regardless of whether or not they have TPC operations in LDCs, nearly all interviewees maintained that the use of TPC is, or if not will soon be, increasingly common in LDCs. In this section, we examine the potential benefits, as well as constraints presented by TPC for stakeholders in LDCs. We also discuss the means by which interviewees think aid agencies can help suppliers in LDCs become third-party certified.

### **5.1 POTENTIAL BENEFITS OF THIRD-PARTY CERTIFICATION FOR ACTORS IN LESS DEVELOPED COUNTRIES**

When asked what effects TPC might have on suppliers in LDCs, not a single interviewee gave any negative ones. All the CBs we interviewed believed that TPC would be beneficial for suppliers in LDCs. The most prominent benefit cited was that TPC would provide suppliers in LDCs with a better understanding of the expectations of buyers in industrialized countries. Thus, interviewees argued that through TPC, suppliers in LDCs will be able to better meet the expectations of buyers in industrialized countries. Additionally, TPC was viewed as enabling suppliers in LDCs to improve their product safety and quality, and thus improve their access to foreign markets.

### **5.2 CONSTRAINTS FOR LESS DEVELOPED COUNTRIES TO THE SUCCESSFUL IMPLEMENTATION OF THIRD-PARTY CERTIFICATION**

While TPC is potentially quite beneficial for suppliers in LDCs, such benefits will not occur unless several constraints that suppliers in LDCs currently face are remedied. According to the interviewees in this study, stakeholders in LDCs are not yet ready for TPC in many cases due to the fact that their practices are unable to meet the standards for certification.

Interviewees generally viewed the agricultural and processing practices in LDCs as being quite rudimentary. In particular, many suppliers in LDCs do not have supporting administrative systems by which they monitor their operations. That is, they tend not to have systems in place to collect data and provide the documentation that CBs need to certify them. Thus, while many suppliers want to improve their performance, they often lack the know-how, in terms of developing data collection and documentation systems.

The other constraint commonly cited in interviews was the cost of TPC. In many cases, the cost of TPC is too expensive for suppliers in LDCs. Nevertheless, the representatives of CBs argued they cannot lower their TPC fees for suppliers in LDCs, as they also need to survive in what is an increasingly competitive TPC industry.





## 6. RECOMMENDATIONS

Many of the interviewees expressed the importance of supporting suppliers in LDCs. From the interviews, we discerned three primary ways that aid agencies might be able to assist suppliers in becoming third-party certified. They are: 1) providing education and training, 2) focusing on a specific program and area, and 3) helping build greater flexibility into TPC. While first two are more tangible and concrete than the last one, it is nevertheless important for aid agencies to be aware of the last one, as it is important to the widespread adoption of TPC in LDCs.

### 6.1 EDUCATION AND TRAINING

In order for suppliers in LDCs to receive TPC, they will need to be educated and trained. As noted above, most suppliers in LDCs are not presently able to meet the requirements for TPC. However, according to our interviewees, many suppliers in LDCs are desperate to know how to meet the standards for TPC. To meet the necessary standards, suppliers in LDCs first need to be able to identify the changes that they need to make in their operations. Once they do this, they then need training on how to implement the necessary changes. Thus, the allocation of funds to conduct a series of seminars or workshops that provide *practical* training or education would be quite useful.

Such training programs must be implemented at sites that unite suppliers, trading groups, buyers, and the government. In doing so, all parties will be able to better support the successful adoption of TPC in LDCs. Working with governments of LDCs is important, as governments can often serve as good entry points for intervention. Without acceptance by national governments, as well as local governments, it is difficult to successfully work in LDCs. Furthermore, in addition to suppliers, trading associations also need to be trained to understand TPC and its benefits, as they play an important role in marketing suppliers' products to buyers in industrialized countries.

Aid agencies can also provide funding to train and educate people who may become local auditors for CBs headquartered in industrialized countries. Additional local auditors would lower the cost of TPC, and therefore, make it more affordable for suppliers in LDCs. Moreover, the use of local auditors will solve problems associated with language and cultural barriers. Aid agency funding can also be used to build partnerships between CBs headquartered in industrialized countries and local CBs. In doing so, the practices of CBs in LDCs and their legitimacy would be improved.

There are several CBs, as well as many consulting agencies, that provide training services to suppliers throughout the world. For example, one interviewee said his CB charges \$1200 to \$1500 per day, in addition to instructor(s) expenses for training. Thus, partnerships with CBs and consulting agencies, which are funded by aid agencies, may be an effective way to offer training to suppliers in LDCs. However, while there are many CBs and consulting agencies, aid agencies need to carefully choose with whom they collaborate, as there is significant variation in the quality of the training provided.

### 6.2 SPECIFIC PROGRAM AND AREA FOCUS

Aid agencies must not over-generalize the experiences of stakeholders in LDCs with respect to TPC, as experiences can vary significantly from country to country, as well as among the different areas of TPC. Thus, assistance needs to be tailored to meet the specific needs of each country and area as well as to the products to be exchanged. Therefore, aid programs must have a narrow focus if they are to successfully aid the implementation of TPC in LDCs.

### **6.3 AWARENESS OF THE NEED FOR BUILDING FLEXIBILITY IN TPC**

It is important to emphasize that the majority of certifications and audits are based on the needs and technologies of buyers in industrialized countries. In many LDCs these technologies are simply not available. Consequently, suppliers in LDCs may not be able to meet the standards simply because they do not possess the same technologies as suppliers in industrialized countries. Thus, for TPC to be successfully applied in LDCs, standards must allow for flexibility of technology. In this way, suppliers in LDCs could implement practices that are more appropriate to their setting than practices developed in industrialized countries.

For example, one interviewee, who works in the organic TPC industry, argued that many CBs headquartered in industrialized countries can learn from stakeholders in LDCs about organics. This is due to the fact that LDCs have their own way of defining organics, often based on their indigenous farming knowledge, which differs from that of industrialized countries. Thus, the standards of industrialized countries should not necessarily be imposed on suppliers in LDCs without taking into consideration their practices and the ways that they may be equivalent. For this reason, it is important to allow for negotiation between different perspectives, if TPC is to be successfully implemented in LDCs and the rest of the world.

## 7. CONCLUSION

As supply chains become more globalized, the expansion of TPC into LDCs will be unavoidable. Thus, suppliers without TPC are likely to be left behind in the global marketplace, and may not acquire access to the markets of large food companies or retailers, which tend to have larger profit margins. In other words, if farmers in LDCs want to participate in international markets, they will need to be third-party certified. Thus, it is important to begin to develop means for aid agencies to help suppliers in LDCs obtain TPC.<sup>9</sup>

As many NGOs, government agencies, and suppliers in LDCs also noted (see our country reports on Ghana, Guatemala, and Indonesia respectively<sup>10</sup>), CBs bring to light several things that aid agencies can do to assist suppliers in LDCs in achieving TPC. Of particular importance is providing funding for the training and education for suppliers, CBs and auditors in LDCs. Without such assistance, it would be difficult for the majority of suppliers in LDCs, particularly small and medium- sized ones, to become third-party certified. Given the speed at which TPC is becoming an integral component of the global agri-food system, there is an urgent need for such assistance.

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<sup>9</sup> However, we want to emphasize that it is not our intention merely to advocate the lucrative international markets for suppliers in LDCs, while disregarding local food markets. Securing food for the local populations should not be treated as of secondary importance.

<sup>10</sup> Bain, Carmen, Deepa Thiagarajan, and Lawrence Busch. (2004) The Relationship of Third-party Certification (TPC) to Sanitary/Physosanitary (SPS) Measures and the International Agri-food Trade: The Ghana Country Report. Institute of International Agriculture, RAISE. Michigan State University. November 2004; Flores, Luis, Deepa Thiagarajan, and Lawrence Busch. (2004) The Relationship of Third-party Certification (TPC) to Sanitary/Physosanitary (SPS) Measures and the International Agri-food Trade: The Guatemala Country Report. Institute of International Agriculture, RAISE. Michigan State University. March 2005; and Hatanaka, Maki, Deepa Thiagarajan, and Lawrence Busch. (2004) The Relationship of Third-party Certification (TPC) to Sanitary/Physosanitary (SPS) Measures and the International Agri-food Trade: The Indonesia Country Report. Institute of International Agriculture, RAISE. Michigan State University. December 2004.